



Office of  
Financial Management  
STATE OF WASHINGTON

# Activity Inventory Performance Measure Assessment

## Department of Revenue

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Based on a review of the following: The agency strategic plan, the budget activity inventory, internal performance measure reports, and an interview with the agency contacts

# Current Strengths and Good Practices

- All the budget activities are associated with at least one performance measure
- The agency is one of the few that track efficiency.
- Most of the language used in the measures is understandable to audiences without specialized subject knowledge.
- Enforcement collections in 2005-07 appear to show statistically significant increases that might indicate something changed in the underlying process.
- Many of the measures reported to OFM are also regularly reviewed as a part of the agency's strategic plan.
- Most measures effectively use footnotes to explain details in data collection or significance.

# Budget Activity and Performance Measure Comments and Potential Improvements

- As displayed, many measures lack sufficient data points to evaluate performance over time. Where possible, the agency should find past data for these measures and get it entered into the Performance Measure Tracking system (PMT).
- The number of rules reviewed (slide 17) should not be reported to OFM.
- The number of advisory appraisals and the number of property appraisals and tax audits (slides 9 & 10) are both less-relevant output measures. The desirable outcome of more audits and appraisals is not evident.
- Measure titles should be descriptive, but concise. The titles for the measures on fiscal note timeliness (slide 16) and the number of rules reviewed (slide 17) should be shortened. Footnotes should be used to supplement the titles.
- Three perspectives seem to be missing from the suite of measures:
  - Call center operations (time waiting in the queue, calls dropped, etc.)
  - The amount of time it takes to receive a tax refund
  - The percent of returns filed correctly the 1<sup>st</sup> time

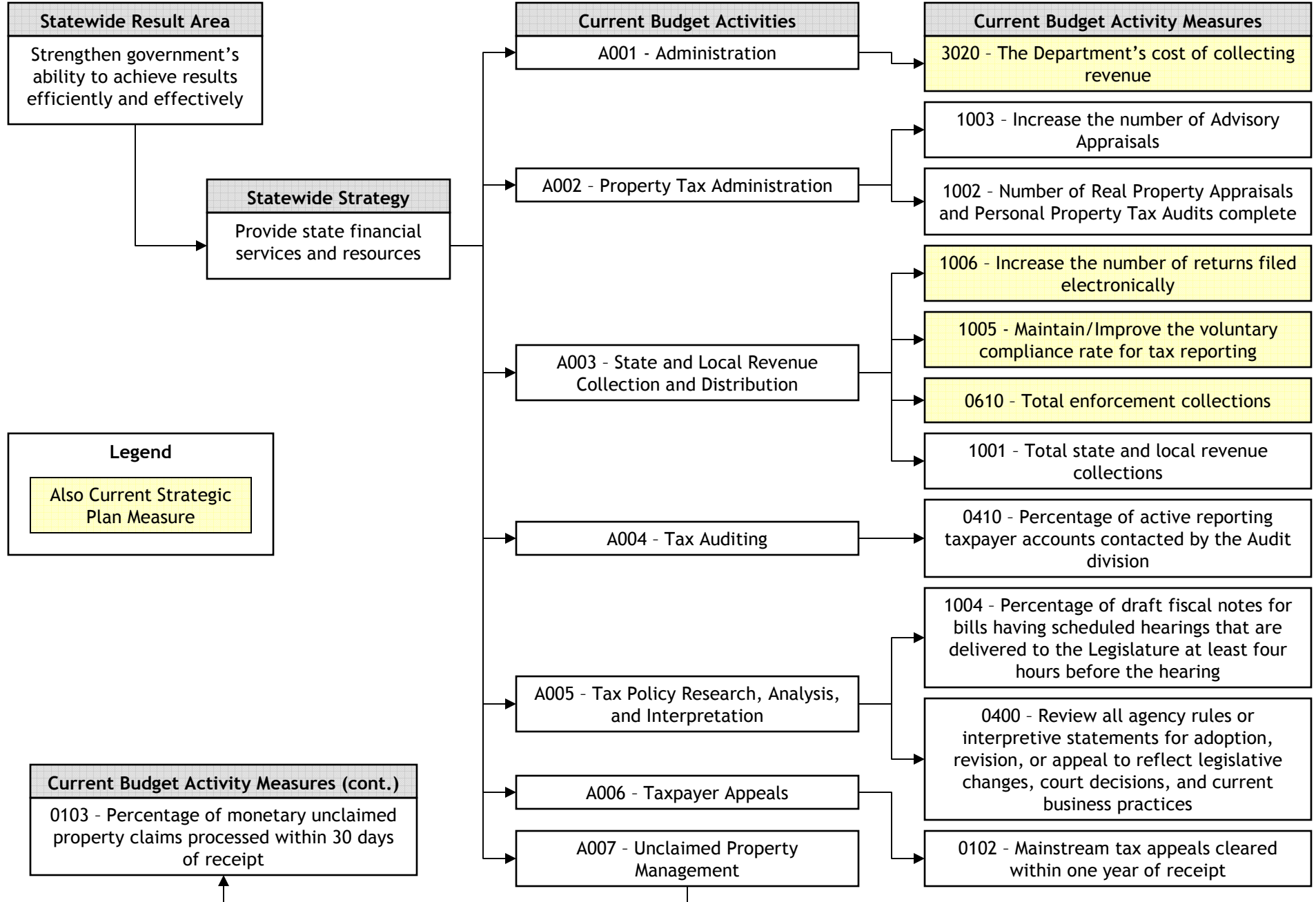
# Analysis of Current Activity Measure Data

- Because of their annual reporting cycles, most of the activity measures did not have enough data for any analysis. This historical perspective is essential to see if performance is getting better, staying the same, or getting worse.
- In the two measures that use quarterly data, there was sufficient data to do some analysis after the data was un-cumulated. The practice of adding the data from the current quarter to the previous ones is an ill-advised way to manage data. Cumulating data hides the variation patterns necessary for analysis:
  - Total enforcement collections (slide 13) shows an abnormal variation pattern called a process-level shift that started in 2005-07. This shift usually indicates a specific event made a significant change to the underlying process the measure tracks. In this case, the change was desirable. Future performance should consistently come in about \$20,000,000 higher than in previous years, if nothing changes.
  - The percent of rules reviewed (slide 17) shows a great deal of variation, but nothing abnormal. These patterns are stable and predictable around a median of about 6.5%. Unless something changes, about 6.5% of the rules will be reviewed every quarter.

# Agency Comments and Future Actions

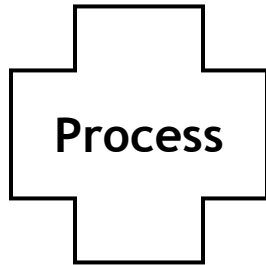
- Measures for each activity were selected by the Department because of their significance to the functions performed within the activity.
- The Department agrees that the measure 0400 (slide relating to the number of rules reviewed is less relevant to a budget/policy development audience, and proposes the measure be dropped.
- **Slide 13 & comments on slide 4:** Enforcement collections are cumulative, and a new collection goal is set with the Forecast Council at the beginning of each biennium. A bar chart would be a better choice to show trend data.
  - **Variation** - The collection goal assumes average payments for audits, delinquent accounts, balance dues and tax discovery. Larger payments are unpredictable and usually infrequent, but depending upon their size can significantly effect total enforcement collections.
- **All Measures:** Where available, more historical data has been added into OFM's performance measure system.
- **Titles** have been changed to make them more concise.
- **Last bullet on slide 3:**
  - Call center operations performance has been added to the performance measures "State and Local Revenue Collection and Distribution" activity.
  - Measuring "time it takes to receive a tax refund" includes data from three separate divisions. We will work to consolidate this information and include this measure in the future.
  - Percent of returns filed correctly has been added to the performance measures "State and Local Revenue Collection and Distribution" activity.

# Budget Activity & Performance Measure Linkages



# Budget Activity Measure Perspectives

⑤ Process characteristics the customers/stakeholders want



⑥ Process characteristics the agency wants

3020 - The Department's cost of collecting revenue

⑥

1006 - Increase the number of returns filed electronically

⑥

1004 - Percentage of draft fiscal notes for bills having scheduled hearings that are delivered to the Legislature at least four hours before the hearing

⑤

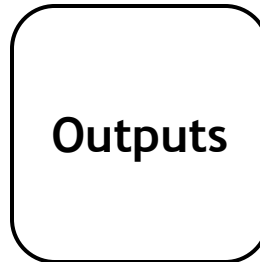
0102 - Mainstream tax appeals cleared within one year of receipt

⑤

0103 - Percentage of monetary unclaimed property claims processed within 30 days of receipt

⑤

③ Product/service attributes customers/stakeholders want



④ Product/service attributes the agency wants

1003 - Increase the number of Advisory Appraisals

④

1002 - Number of Real Property Appraisals and Personal Property Tax Audits complete

④

0410 - Percentage of active reporting taxpayer accounts contacted by the Audit division

④

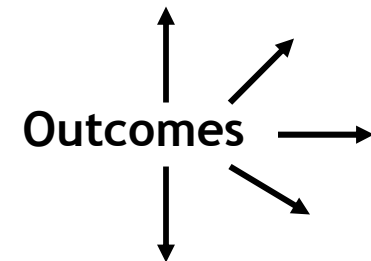
0400 - Review all agency rules or interpretive statements for adoption, revision, or appeal to reflect legislative changes, court decisions, and current business practices

④

## Legend

Strategic Plan and  
Budget Activity Measure

① Customer/stakeholder desired outcomes



② Agency desired outcomes

1005 - Maintain/Improve the voluntary compliance rate for tax reporting

②

0610 - Total enforcement collections

②

1001 - Total state and local revenue collections

②

# Activity Measure Critique - Agency Efficiency

**Performance Measure Description:** No additional explanation needed.

**Budget Activity Links:** A001 - Administration

**Category of Measure:** A process-level measure of overall efficiency.

**Analysis of Variation:** Not enough data for much analysis, but the cost appears to have declined in the past three years.

**Analysis of Targeted vs. Actual Performance:** The actual results have stayed below the performance target (Desirable) for all the years reported.

**3020 - The Department's Cost of Collecting Revenue**  
(Cents per \$100 of Revenue Collected)



## Comments About Desirable Characteristics

**Relevance:** Efficiency is a good measure of administrative activity.

**Timeliness:** Annual data is never timely, but makes sense for this type of data.

**Understandability:** Good, but it is not clear if this is measuring the collection division's or overall agency efficiency.

**Reliability:** If the amounts collected rise because of inflation or environmental/economic factors it will appear the agency is becoming more efficient. This number needs to be normalized against the number of taxpayers for it to be a true measure of efficiency.

**Comparability:** See agency comments to the right.

**Cost Effectiveness:** Good

## Agency Comments & Explanations:

**Understandability** - This is the total revenue collected vs. the "Department's" total budget.

**Comparability** - DOR collects over 90% of the state general fund dollars. Other WA state agencies are not comparable because of the types of taxes collected (e.g. payroll taxes, insurance premiums).

**Reliability** - It is true that improvement in the measure is driven by economic factors. Normalizing the measure by the number of taxpayers would show far greater improvement. However, the measure has been historically used to demonstrate to the public the return on investment, not necessarily Department efficiency in collection.



# Activity Measure Critique - Advisory Appraisals

**Performance Measure Description:** Appraisals done at the request of local governments on less common subjects

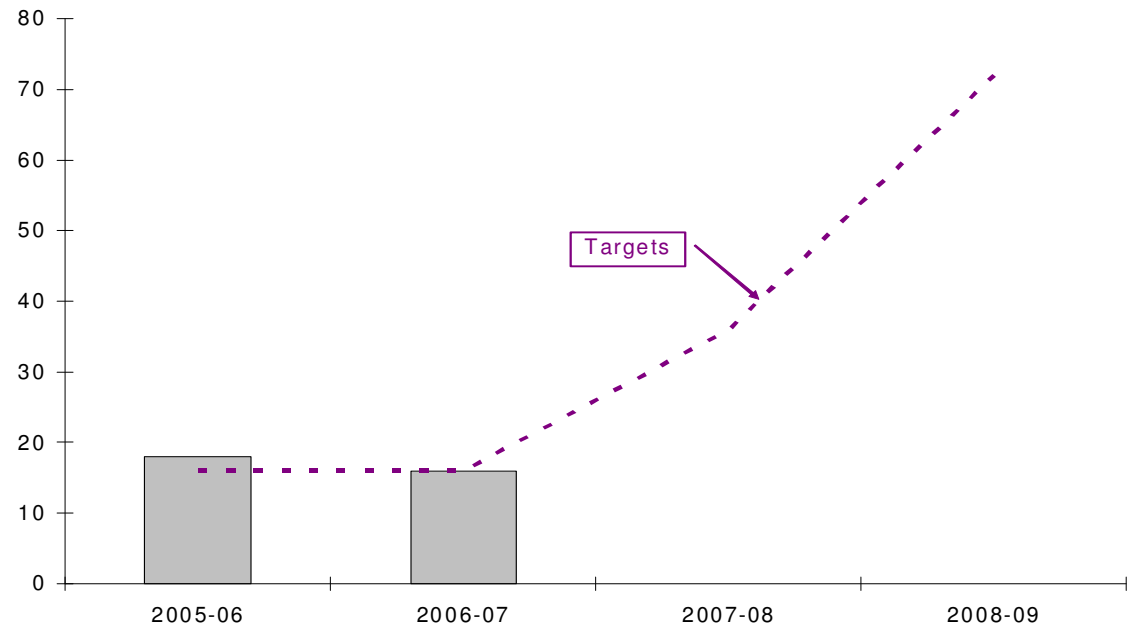
**Budget Activity Links:** A002 - Property tax Administration

**Category of Measure:** Output

**Analysis of Variation:** Not enough data for any analysis.

**Analysis of Targeted vs. Actual Performance:**  
The actual number of appraisals met or exceeded the targeted levels in the two years reported.

**1003 - Increase the Number of Advisory Appraisals**



## Comments About Desirable Characteristics

**Relevance:** Responding to local government requests for assistance is admirable, but why more appraisals is better is left to conjecture.

**Timeliness:** At the current rate, it will take 5 more years to get enough data to see historical patterns and tell whether performance is improving or not.

**Understandability:** “Advisory Appeals” is agency jargon, but the footnotes explain the term well.

**Reliability:** Good

**Comparability:** It appears the most relevant comparisons should be made to historical performance levels.

**Cost Effectiveness:** It shouldn’t be prohibitively expensive to collect this data.

## Agency Comments & Explanations:

**Variation** - No data is available prior to FY06

**Relevance** – In the 2007 legislative session, at the request of county assessors, the legislature provided funding to DOR for additional positions in our advisory program. Assessors were requesting the Department perform additional advisories for the counties. The purpose of this performance measure is to demonstrate the increased number of advisory appraisals performed by DOR. Providing these advisory appraisals is in-line with the Department’s responsibility to ensure fair, efficient, and uniform administration of state tax law.

**Timeliness** – FY08 data will provide enough 9 information to determine if performance is improving.

# Activity Measure Critique - Property Tax Audits

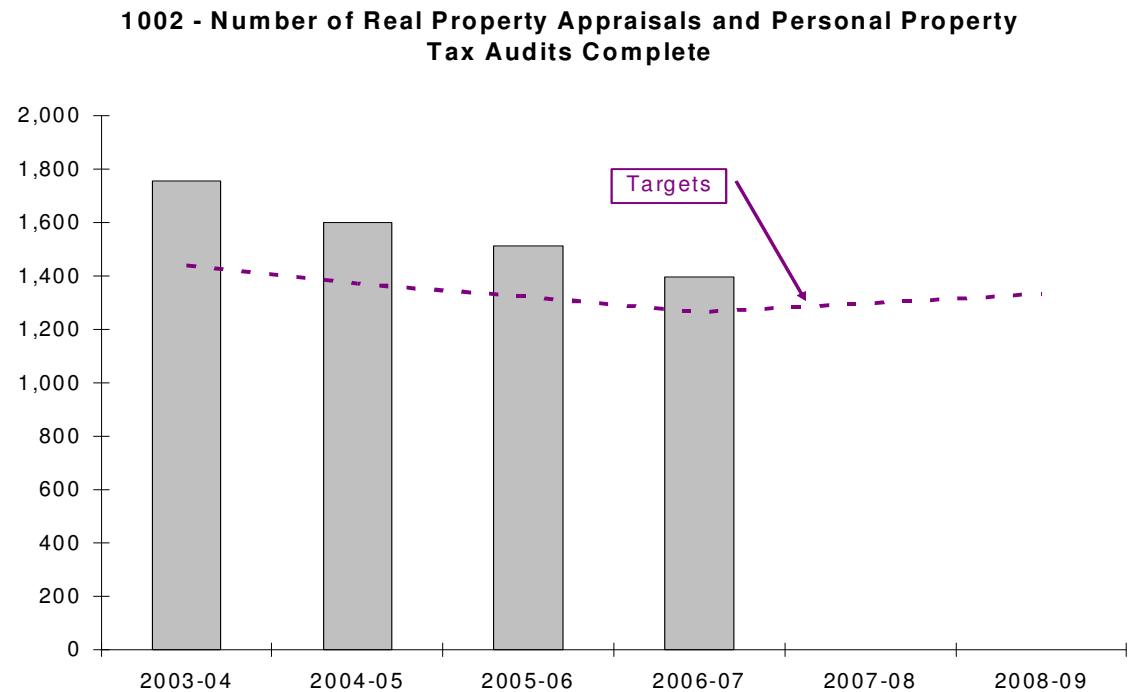
**Performance Measure Description:** Used to calculate the property tax ratio which is used to equalize school levies throughout the state.

**Budget Activity Links:** A002 - Property Tax Administration

**Category of Measure:** Output

**Analysis of Variation:** Not enough data for much analysis, but appears to be going down over time.

**Analysis of Targeted vs. Actual Performance:** The actual number of appraisals and audits has exceeded the target in every one of the 4 years reported.



## Comments About Desirable Characteristics

**Relevance:** Fails to answer a basic question of whether more appraisals/audits is better or worse and why?

**Timeliness:** Annual measures are never timely, but make sense for this type of data.

**Understandability:** The language is understandable. The agency is proposing new wording for the title.

**Reliability:** Depends on a universal application of the term, "Complete."

**Comparability:** Does not appear to be the kind of subject that lends itself to comparisons.

**Cost Effectiveness:** Good

## Agency Comments & Explanations:

**Variation** – Data for FY02 & FY03 has been added into PMT.

**Relevance** - This measurement is less of an output measure than a measure of efficiency. The purpose of this measurement is to demonstrate efficiencies gained through improved statistical sampling. The goal is to reduce the number of personal property tax audits that are required to develop the personal property tax ratio that is used to equalize the state school levy. This will enable a shift of resources enabling DOR to perform audits to verify the accuracy sales used in the development of the real property ratio.

## Activity Measure Critique - Returns Filed Electronically

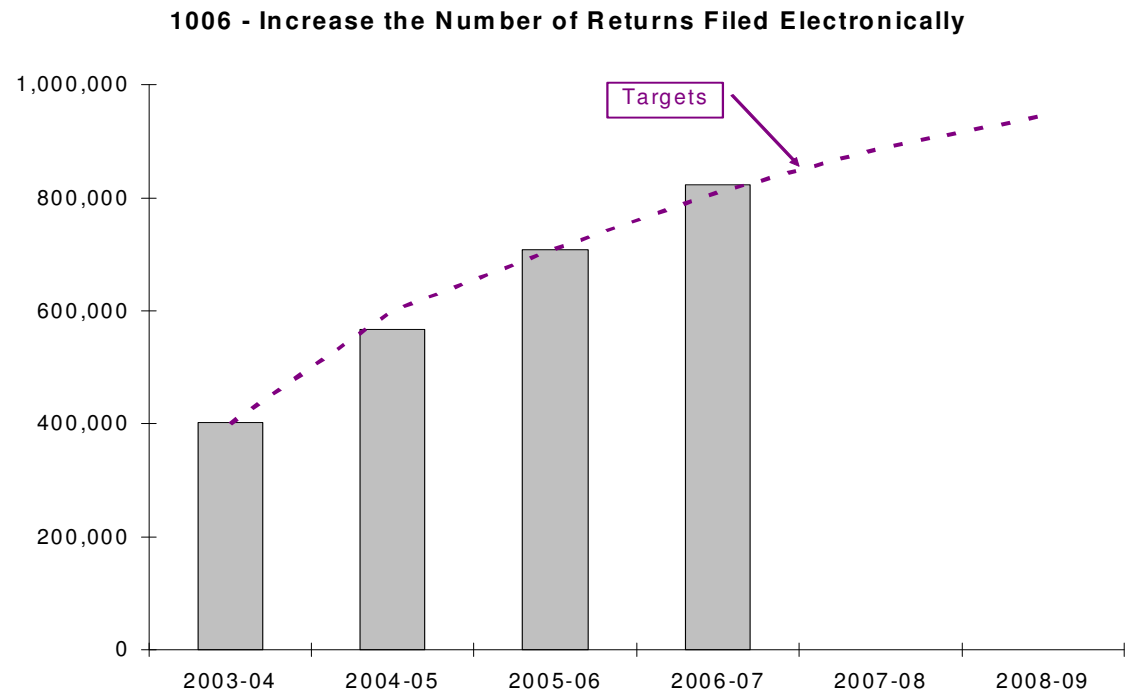
**Performance Measure Description:** No additional explanation needed.

**Budget Activity Links:** A003 - State and Local Revenue Collection and Distribution

**Category of Measure:** A process-level measure

**Analysis of Variation:** Not enough data for much analysis, but it appears to be increasing steadily over time.

**Analysis of Targeted vs. Actual Performance:** The targets have been met in each of the 4 years reported.



### Comments About Desirable Characteristics

**Relevance:** Relevant as a process measure, but the real outcomes are increased efficiency, reduced errors, and reduced processing times.

**Timeliness:** Annual measures are never timely, but make sense for this type of data.

**Understandability:** Could be improved by switching to reporting the percent of returns filed... instead of the number.

**Reliability:** Good

**Comparability:** See agency comments to the right.

**Cost Effectiveness:** Good

### Agency Comments & Explanations:

**Variation** - E-file began in FY02. Data has now been added for FY02 and FY03 in PMT.

**Comparability** – Much of the available data comes from states that have mandatory e-file programs for income tax. Comparing the Department's voluntary program for sales, use and business and occupations tax with a mandatory program for income tax would not be a fair comparison.

## Activity Measure Critique - Voluntary Tax Reporting Rate

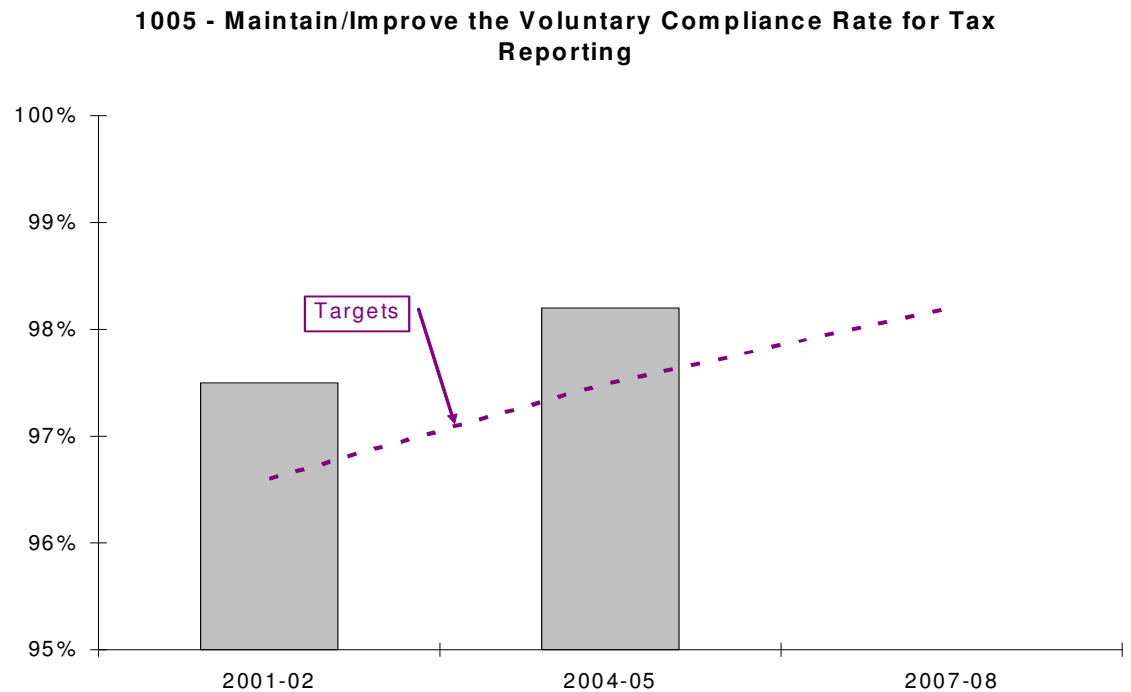
**Performance Measure Description:** No additional explanation needed.

**Budget Activity Links:** A003 - State and Local Revenue Collection and Distribution

**Category of Measure:** Outcome

**Analysis of Variation:** Not enough data for any analysis.

**Analysis of Targeted vs. Actual Performance:** Actual performance has exceeded the targets in the two years reported.



### Comments About Desirable Characteristics

**Relevance:** Directly related to the purpose of the budget activity, but the lack of data keeps this from being a compelling performance story.

**Timeliness:** The infrequent data collection cycle of this measure compromises its usefulness. It may take another decade to get enough data to see any historical patterns.

**Understandability:** The language is easy to understand.

**Reliability:** Good

**Comparability:** No benchmarking data is currently available.

**Cost Effectiveness:** Good

### Agency Comments & Explanations:

**Variation** - Data has been entered for FY99

**Timeliness** - While the data is calculated by our Research division only every three years, the Department uses it to do multiyear planning for targeted education, outreach, and plan collection activities.

# Activity Measure Critique - Total Enforcement Collections

**Performance Measure Description:** Money collected through audits, delinquent accounts, reporting errors, and tax discovery.

**Budget Activity Links:** A003 - State and Local Revenue Collection and Distribution.

**Category of Measure:** Outcome

**Analysis of Variation:** There is an abnormal variation pattern called a process-level shift in the data starting in 2006-07 that is only visible when the data is not cumulated (bottom chart). This pattern indicates a change in process performance that is usually attributable to a specific event.\*

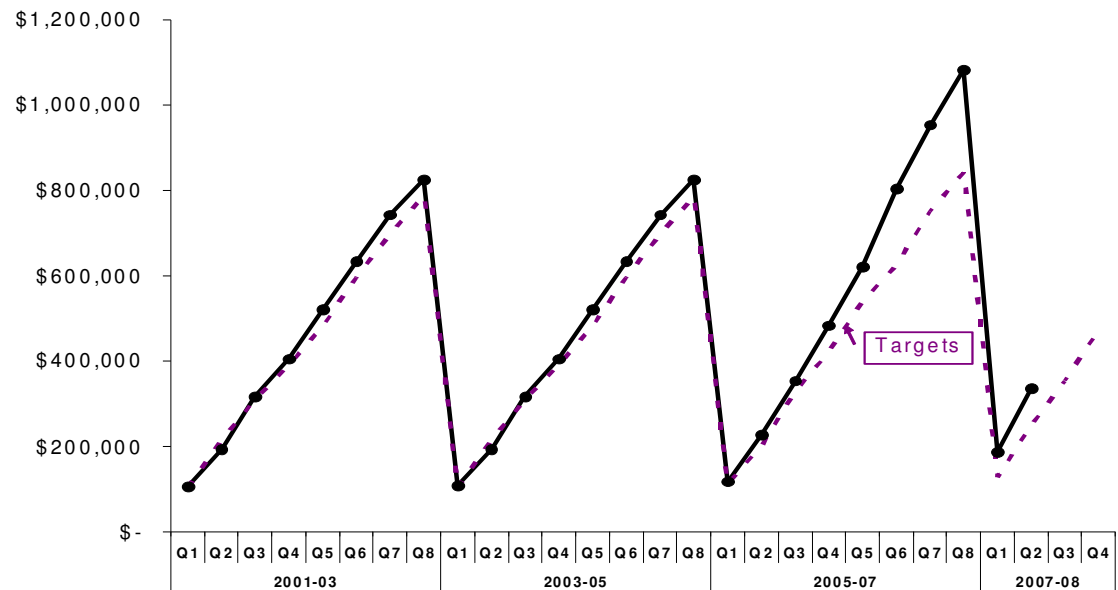
**Analysis of Targeted vs. Actual Performance:** The targets appear to be estimates. The new higher performance levels after the change in 2006-07 have made the old estimates obsolete.

**Relevance:** Increasing the amount collected on delinquent accounts is very relevant in the near future. Reducing the amount of delinquent accounts should be the long-term goal.

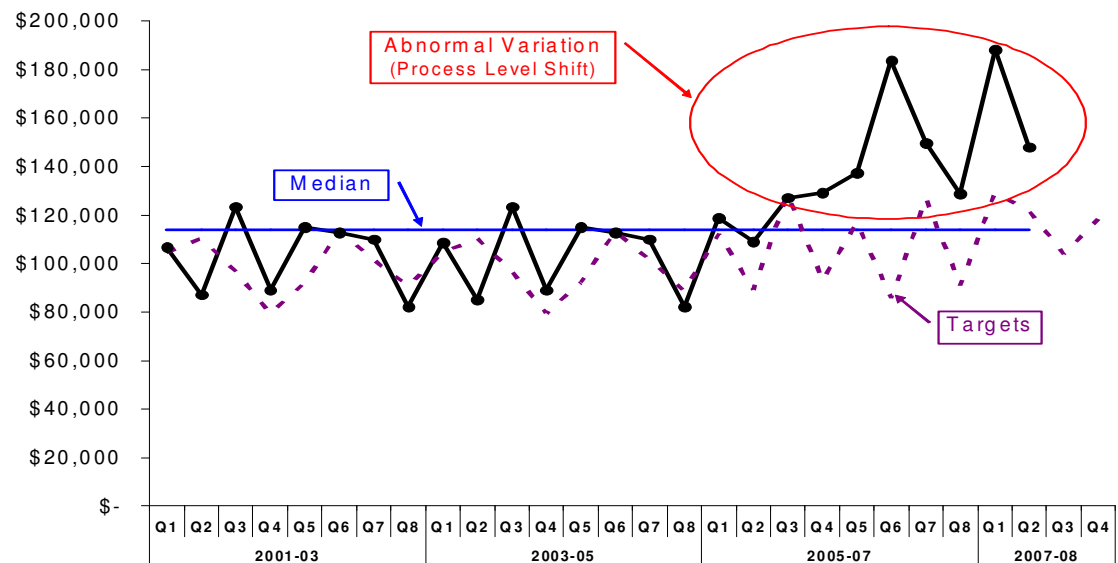
**Understandability:** The language is clear, but the current cumulative reporting method only allows for estimate vs. actual comparisons in the past. In order to detect changes and make projections about future performance, the data should not be cumulated.

**General Comments & Explanations:** See the agency comments about the nature of this data on slide 5.

**0610 - Total Enforcement Collections (in Thousands)**



**0610 - Total Enforcement Collections (in Thousands)  
Not Cumulated**



## Activity Measure Critique - Total Revenue Collections

**Performance Measure Description:** Includes all funds collected, even those distributed to local governments.

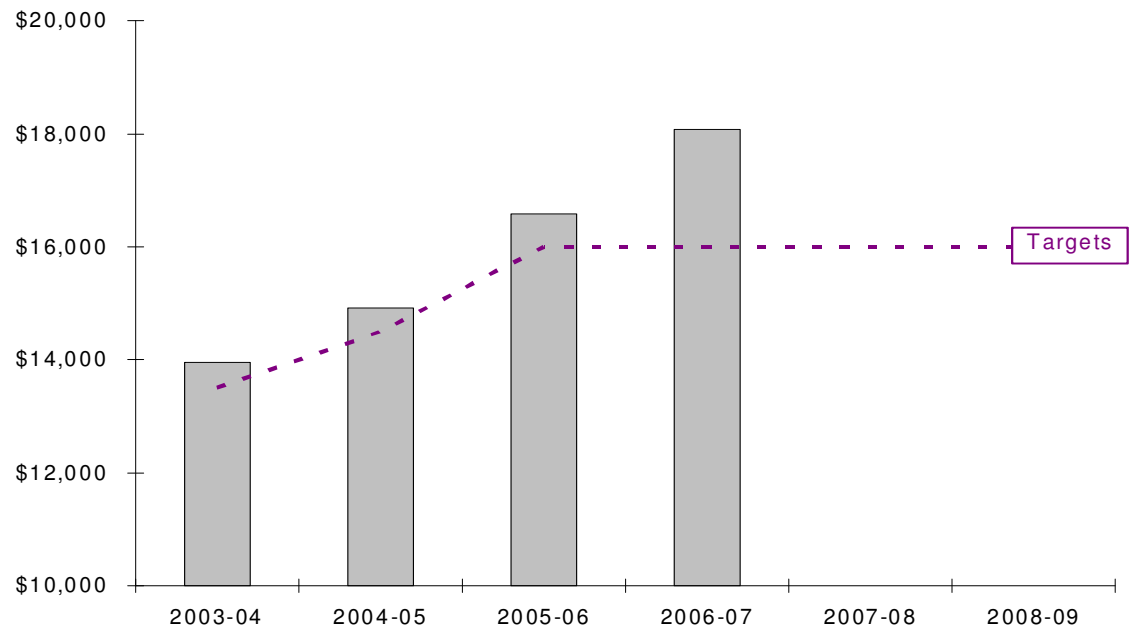
**Budget Activity Links:** A003 - State and Local Revenue Collection and Distribution

**Category of Measure:** The primary outcome for the agency.

**Analysis of Variation:** Not enough data for much analysis, but appears to be increasing over time.

**Analysis of Targeted vs. Actual Performance:** The amounts collected have exceeded the targets every year reported.

**1001 - Total State and Local Revenue Collections (in Millions)**



### Comments About Desirable Characteristics

**Relevance:** This data is more descriptive and informational than an indicator of agency performance.

**Timeliness:** Annual data are never timely. It would be helpful if the agency could load data going back into the 1990's to create a robust historical perspective for this data.

**Understandability:** Good

**Reliability:** Good

**Comparability:** The most relevant comparisons are over time.

**Cost Effectiveness:** Unknown

### Agency Comments & Explanations:

**Variation** – Data has now been entered in PMT dating back to FY98.

**Timeliness** - Data is collected on a daily basis and reported to the Forecast Council.

# Activity Measure Critique - Audit Division Taxpayer Contact Percentages

**Performance Measure Description:** No additional explanation needed.

**Budget Activity Links:** A004 - Tax Auditing

**Category of Measure:** An output of the audit selection process.

**Analysis of Variation:** Not enough data for much analysis, but the number seems to be steadily decreasing.

**Analysis of Targeted vs. Actual Performance:** The 3.5% target was only not exceeded in 2006-07. What is not clear is whether more or less taxpayers contacted is desirable.

**0410 - Percentage of Active Reporting Taxpayer Accounts Contacted by the Audit Division**



## Comments About Desirable Characteristics

**Relevance:** More relevant measures would track the number of taxpayers that submit their returns correctly the first time, penalties assessed, or amounts identified for collection.

**Understandability:** The language is understandable, but the term, "Contacted" sounds like a euphemism for being audited.

**Comparability:** The most relevant comparisons are over time to see if taxpayers are better able/willing to comply with rules & regulations.

**Timeliness:** Annual data are never timely. At the current rate, it will take four more years to get enough data to see historical patterns and tell whether performance is improving or not.

**Reliability:** Depends on the universal application of the term, "Contacted."

**Cost Effectiveness:** The number of taxpayers is large, so if this is not an automated count, the costs will be high.

## Agency Comments & Explanations:

**Variation -** No data is available prior to FY04

**Targeted vs. Actual -** The objective is to annually contact a consistent percentage of accounts. Active reporting accounts have increased 18.7% since FY04 from 405,000 to over 480,000 thereby increasing the goal numbers of contacts. The number of contract clearances (from public works contracts) has decreased steadily since FY04 and accounts for most of the drop in contacts.

**Relevance & Understandability/Reliability -** Contacted means: enforcement audits and Administrative contacts (New Business Orientations, Outreach and Speaking Engagements, Consultations, Corp Dissolutions. and desk reviews).

## Activity Measure Critique - Fiscal Note Timeliness

**Performance Measure Description:** A fiscal note is an estimate of the cost and impact of a proposed piece of legislation.

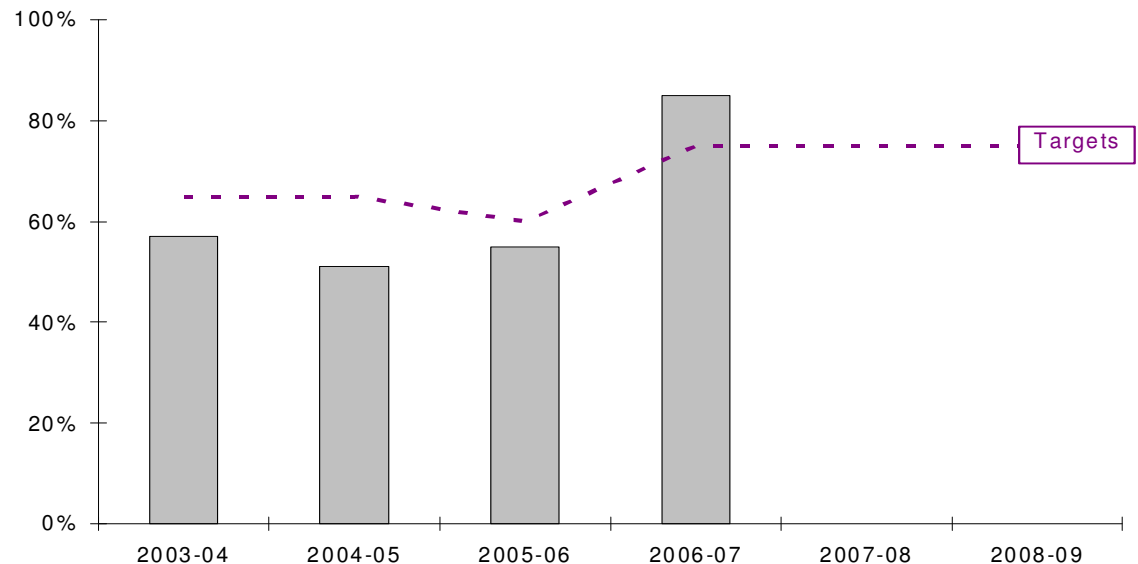
**Budget Activity Links:** A005 - Tax Policy Research, Analysis, and Interpretation

**Category of Measure:** A process-level measure of timeliness.

**Analysis of Variation:** Not enough data for much analysis, but there seems to have been a shift in performance from +/- 60% to about 80%.

**Analysis of Targeted vs. Actual Performance:** The 75% target was exceeded for the first time in 2006-07.

**1004 - Percentage of Draft Fiscal Notes for Bills Having Scheduled Hearings that are Delivered to the Legislature at least Four Hours Before the Hearing**



### Comments About Desirable Characteristics

**Relevance:** Preparing timely fiscal notes is one of the core duties assigned to this budget activity.

**Understandability:** The title includes text explaining what on-time means that should be moved to the footnotes.

**Comparability:** Preparing timely fiscal notes is a requirement shared by many agencies. The definition of on-time might vary.

**Timeliness:** Annual data are never timely. At the current rate, it will take four more years to get enough data to see historical patterns and tell whether performance is improving or not.

**Reliability:** Data can be cross-checked with OFM data, and the terms are well defined.

**Cost Effectiveness:** As an internal measure based on date stamping, the collection of this data should not be overly expensive.

### Agency Comments & Explanations:

**Variation** - No data is available prior to FY04. For FY07, DOR developed a reliable system to date stamp fiscal notes at assignment and check against hearing data and time. The new system along with other process improvements made it possible to increase the goal.

**Comparability** - There are no other agencies comparable to the Department to use for comparison purposes. No other agency has monitoring systems to track on time record for hearings.

**Understandability** - The agency is proposing a new title for this measure.



# Activity Measure Critique - Agency Rules Reviewed

**Performance Measure Description:** The percent of rules reviewed each year.

**Budget Activity Links:** A005 - Tax Policy Research, Analysis, and Interpretation

**Category of Measure:** Output

**Analysis of Variation:** Once the data was not cumulated, a stable and predictable variation pattern emerged. Future results should be similar to current performance levels if nothing changes.

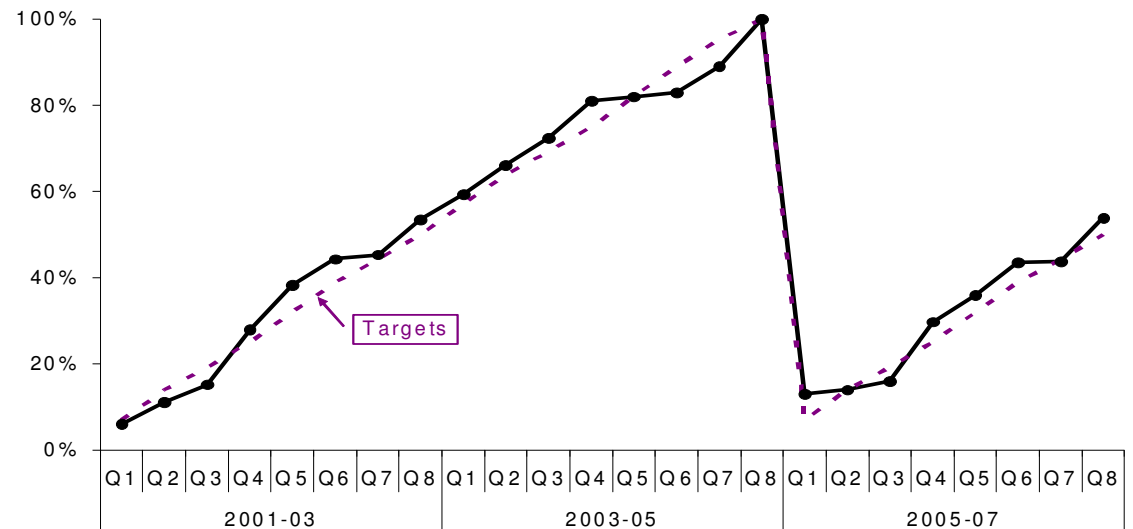
**Analysis of Targeted vs. Actual Performance:** The targets appear to be estimates and mirror the actual median performance level.

**Relevance:** The percent of rules reviewed is not relevant to a policy/budget development audience. Desirable outcomes of the rules revisions like improved collections, or reduced taxpayer errors are better measures for this budget activity.

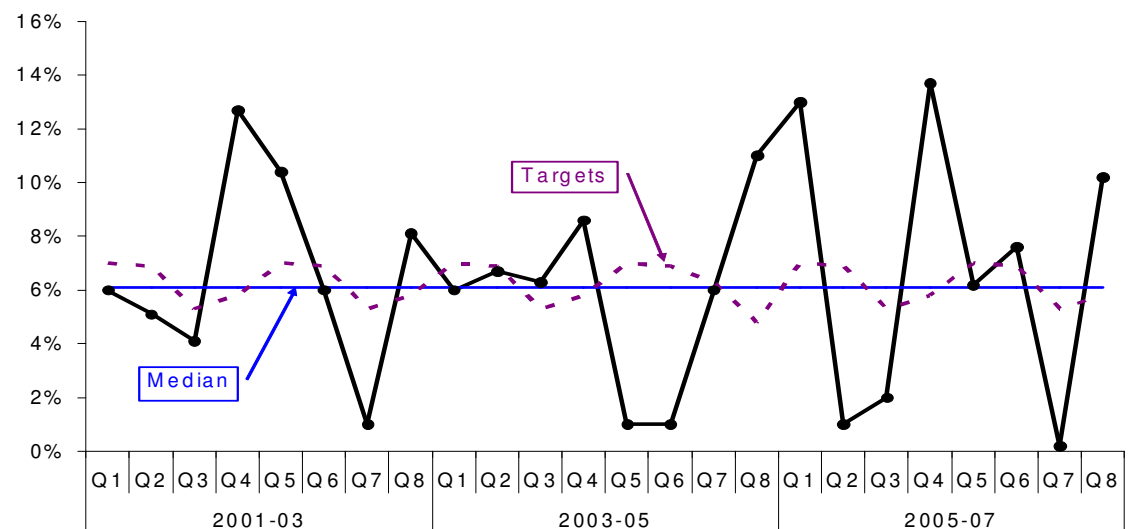
**Understandability:** The title is too long and most of its information belongs in a footnote. The footnote, "The percent of rules reviewed each year." is a more appropriate title. Also, the current cumulative reporting method hides vital information necessary for analysis and decision making. If the agency continues with this measure, the estimates should be changed to performance targets.

**General Comments & Explanations:** The agency would like to place this measure into inactive status in PMT.

**0400 - Review All Agency Rules or Interpretive Statements for Adoption, Revision, or Repeal to Reflect Legislative Changes, Court Decisions, and Current Business Practices**



**0400 - Review All Agency Rules or Interpretive Statements for Adoption, Revision, or Repeal to Reflect Legislative Changes, Court Decisions, and Current Business Practices (Not Cumulated)**



# Activity Measure Critique - Tax Appeal Timeliness

**Performance Measure Description:** Roughly 72% of all appeals are Mainstream appeals that do not fit into specialized categories.

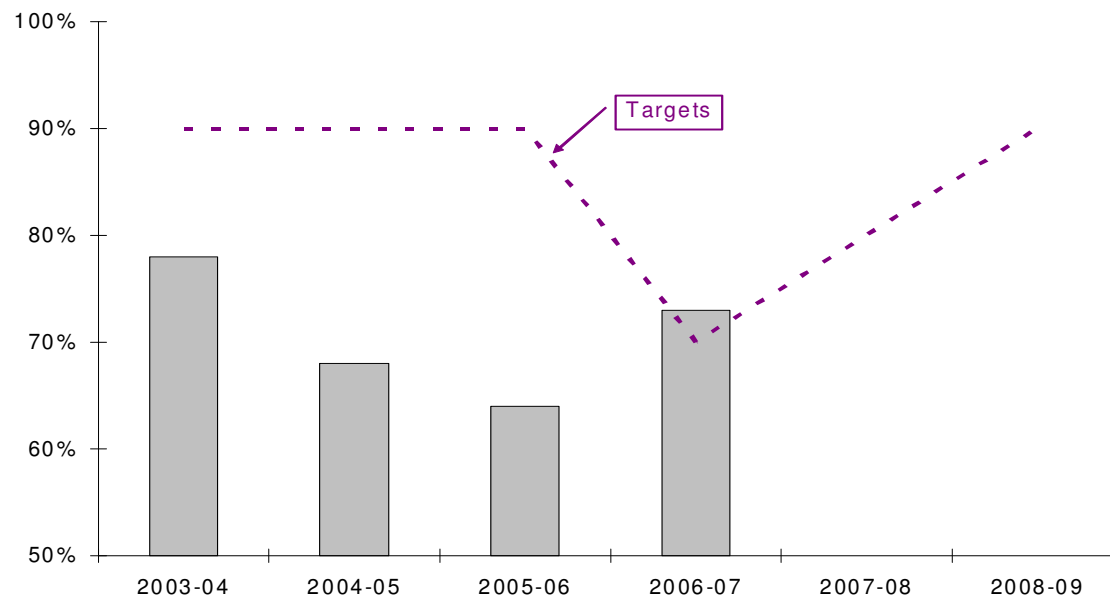
**Budget Activity Links:** A006 - Taxpayer Appeals

**Category of Measure:** A process-level measure of cycle time.

**Analysis of Variation:** Not enough data for much analysis.

**Analysis of Targeted vs. Actual Performance:** The only time the actual numbers were capable of hitting the target were when the target was decreased by 20%.

**0102 - Mainstream Tax Appeals Cleared within One Year of Receipt**



## Comments About Desirable Characteristics

**Relevance:** Timeliness is a relevant perspective, especially from the customer's point of view. Additional interesting performance topics are: Is the number of appeals decreasing over time? Or, is the backlog of cases increasing over time?

**Understandability:** This measure would be more understandable and comparable if it tracked the average amount of time it takes to process a mainstream tax appeal. Is there something significant about the one year threshold?

**Timeliness:** Annual data are never timely. At the current rate, it will take four more years to get enough data to see historical patterns and tell whether performance is improving or not.

**Reliability:** The term "Mainstream" appears to be sufficiently defined, but this measure hinges on a universal definition of the term, "Cleared."

**Cost Effectiveness:** Good

## Agency Comments & Explanations:

**Variation** - No data is available prior to FY04

**Targeted vs. Actual Performance** - In FY07, the goal was adjusted to reflect historical trend data to be in line with current staff levels. In FY08, the legislature granted two additional FTEs to address workload. The goal was increased in FY08 to adjust for additional FTEs.

**Understandability** - Over time, the 1 year measure has become the standard for stakeholders. In a survey conducted in 2005 of other states, we found few time standards.

**Reliability** - The agency is proposing a new title for this measure.

# Activity Measure Critique - Unclaimed Property Process Timeliness

**Performance Measure Description:** Abandoned property like utility deposits, insurance policies, savings accounts, safety deposit box contents, etc.

**Budget Activity Links:** A007 - Unclaimed Property Management

**Category of Measure:** A process-level measure of cycle time from the agency's point of view.

**Analysis of Variation:** Not enough data for much analysis. Prior to 2005-07 this measure was worded differently with a different target.

**Analysis of Targeted vs. Actual Performance:** Performance for the past three years has hovered near the 80% target only exceeding it in one of those years.

**0103 - Percentage of Monetary Unclaimed Property Claims Processed within 30 Days of Receipt**



## Comments About Desirable Characteristics

**Relevance:** How long it takes the agency to process a claim is relevant to the organization. How long it takes the entire process from start to finish is much more relevant from the claimants point of view.

**Understandability:** This measure would be more understandable and comparable if it tracked the average amount of time it takes to process a monetary unclaimed property claim. Is there something significant about the 30 day threshold?

**Timeliness:** Annual data are never timely. At the current rate, it will take four more years to get enough data to see historical patterns and tell whether performance is improving or not.

**Reliability:** Depends on a standard operation definition of the terms "Processed" and "Received."

**Cost Effectiveness:** As an internal measure based on date stamping, the collection of this data should not be overly expensive.

## General Comments & Explanations:

**Variation** - No data is available prior to FY04

**Relevance** - This measure is relevant to claimants because it measures from when the customer makes the claim to when the customer receives payment.

**Understandability** - The 30 day threshold was established by our claimants via a customer poll. Longer processing times generate inquiries, complaints and additional work. The 80% target reflects the wide differences in complexity with these claims. The agency is proposing a new title for this measure.

**Timeliness** - There are workload variations outside the control of the agency (e.g., media focus). The objective is to consistently meet the goal.